

**TESTIMONY OF KATHLEEN WALGREN
BEFORE THE MICHIGAN HOUSE ENERGY & TECHNOLOGY
COMMITTEE**

January 25, 2006

Thank you Chairman Nofs and members of the House Energy and Technology Committee, for the opportunity to testify before you today. My name is Kathy Walgren and I am executive director of The Heat and Warmth (THAW) fund. THAW is a non-profit 501 (c) 3 corporation founded in December 1985 to help low income households who are unable to pay their energy bills.

THAW works in partnership with community based organizations throughout Michigan, such as Community Action Agencies, Salvation Army and other agencies, churches and organizations. I wanted to take this opportunity to address some of the concerns that have been expressed by our agency partners and offer some suggestions for solutions to the energy crisis in our state.

The fact is that Michigan citizens are faced with a crushing financial burden due to the current economic conditions and the high price of natural gas. The number of people facing unaffordable energy costs has reached crisis proportions and no part of Michigan is unaffected.

Michigan has one of the highest unemployment rates in the nation and the recent announcement of another round of cuts in the automobile industry will have an economic ripple on all of our communities and put even greater strain on the ability of state and private programs to help those in need. Our agency partners are receiving numerous requests for assistance from people who have never sought help before. We also see Michigan residents who are forced to make difficult and dangerous choices between heating their home and paying for other necessities such as food and medicine.

Our agency sites are reporting that they are at capacity in assisting those who are coming to them for help. While some report a small decline in the numbers of customers seeking assistance, the bills they are presenting are often twice what they have seen in the past. We attribute this to the number of households that have enrolled in the Winter Protection Plan, whereby a customer can pay a small portion of their bill each month in exchange for assurance that their utilities will remain on through the winter. Agencies are bracing for a huge bubble at the end of March. Many of these families will not qualify for help from any source or funds may be exhausted by the spring.

We encouraged families to seek Winter Protection when there was no funding to help them in the fall and early winter. While the Michigan Department of Human Services did and does have funds, the eligibility for the State Emergency Relief program is quite restrictive and often does not cover those experiencing a temporary crisis such as loss of a job or an illness, which takes the money that would have paid the utility bills.

In December THAW presented each legislator with a copy of Michigan's Energy Affordability Gap study which looks at the energy burdens of Michigan's low-income households and shows the significant gap that exists between what is affordable and current energy prices - detailed for citizens in each district.

The study found that spiraling energy prices in Michigan will drive the average *per-household* "affordability gap" for households living with incomes at or below 185% of the Federal Poverty Level (FPL) up \$400. Compared to the average per-household Affordability Gap of \$615 given actual 2004 fuel prices in Michigan, the average Affordability Gap for 2006 (using January 2006 price projections) will reach \$1,017.

Even if Congress appropriates substantially greater funding for the federal Low-Income Home Energy Assistance Program (LIHEAP), it will be grossly insufficient to address the spike in home energy prices. According to the data presented below:

- While LIHEAP covered 31.5% of the heating/cooling Affordability Gap in 2004, LIHEAP will cover only 18.7% of the heating/cooling Affordability Gap in 2006.
- While the heating/cooling Home Energy Affordability Gap increased by nearly \$267 *million* in Michigan from 2004 to 2006 (projected), Michigan's LIHEAP allocation increased by only \$10.5 million.

One disturbing finding is that customers living at 150% to 185% of the Federal Poverty level – many of whom are seniors or low-wage workers, are beginning to experience payment difficulties. Spiraling energy prices are finally pushing households at these moderate income levels into the "unaffordable" range and meager incomes don't stretch far enough to make ends meet. These customers, your constituents, do not qualify for any state or federal programs.

The Low Income Energy Efficiency and Assistance Fund (LIEE) administered by the Michigan Public Service Commission has provided a significant amount of help over the past five years to low-income people, through community based agencies. This fund should be continued or combined with additional state dollars to cover more of the need.

Thankfully, this winter has been milder than expected and the warmer weather may even continue. However, the latest predictions indicate that we are in for a worse winter in 2006-2007, as far as natural gas prices are concerned. As many as seventeen hurricanes are expected to affect the gulf coast, which will devastate the already severely damaged drilling, transportation and refining facilities and drive prices further upward. Even normal winter weather will bring greater burdens.

Much of the burden facing Michigan falls on the private sector, which is at the same time experiencing funding cuts for other programs they administer. THAW and other groups are advocating for an increase in LIHEAP, despite that none of the funds

flow to the private programs. We recognize that LIHEAP is the most significant funding source and every dollar that is not available through the state will need to be raised. To that end, we are holding fundraisers, such as Walk for Warmth and THAW's Radiothons in communities across the state. And we are urging citizens to get involved in helping their neighbors during Keep Michigan Warm Week, Feb 19 to 25th. Despite our significant efforts, we will be unable to fill the gap—now or in the future.

We urge this committee to recommend legislation that establishes or supports a state-wide energy fund to supplement LIHEAP that will be available to citizens in crisis throughout the state. At the same time, we recognize that assistance alone is not the final answer. Equally necessary are sound energy policies and comprehensive programs that include help with the immediate need and a menu of other resources to provide longer term solutions to the energy affordability problem. These would involve energy conservation education, energy efficient appliances and heating units, weatherization and housing efficiency improvement.

Because Michigan imports the vast majority of resources used to produce heat and electricity, the state remains dependent on out of state providers and subject to the volatility of the market. Billions of dollars flow out of the state in payment for natural gas, heating fuel and coal. One tool in our state toolbox is control over consumption. The energy efficiency industry can be a significant economic stimulus to Michigan, bringing jobs and businesses, while at the same time reducing dependence on "imported" resources. We believe that policies should be instituted that reward energy service providers who put in place programs that help their customers appreciably reduce their energy consumption and therefore lessen the overall energy burden in Michigan.

We urge the Committee and state policy makers to embrace and implement a full systems approach to solving the energy affordability problem in Michigan.

In conclusion, I would like to restate some key points:

1. Current economic conditions and high energy prices are causing extreme burdens on citizens in Michigan and many of those affected are finding energy bills unaffordable for the first time.
2. This situation is having a ripple effect on the economies in communities throughout Michigan and placing a great strain on state and private programs.
3. The Winter Protection Program only defers an unaffordable bill and many who will need help in the spring will have services terminated when funds are exhausted.
4. The LIHEAP Program has not kept pace with rising costs and now covers only 18% of those in need. The state should advocate for increased and adequate LIHEAP.

5. A significant number of those affected by higher costs do not qualify for state funding.
6. Agencies are at capacity for serving customers in need and cuts in funding are placing further burdens on staff and programs.
7. Many community agencies are seeking additional funding through citizen involvement in activities during Keep Michigan Warm Week.
8. A state-wide energy fund should be established to help citizens in crisis throughout the state, regardless of fuel source.
9. We urge the establishment of sound energy policies and comprehensive programs that provide longer term solutions and promote energy efficiency and wise use of resources.
10. We believe energy vendors should be given incentives for methods that reduce overall consumption.
11. Michigan is dependent on outside providers, but the state's total energy burden can be reduced significantly through a reduction in consumption and efficiency can provide an economic stimulus.
12. Energy companies should be rewarded for implementing programs that result in energy efficiency savings.

Thank you for your time, consideration and the opportunity to allow me to come before the committee and speak to these important issues.